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## **Microfinance tourism in Phu Minh, Vietnam**

### *Key findings*

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# KEY FINDINGS

## Microfinance tourism in Phu Minh, Vietnam



Giang Phi

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# Microfinance tourism in Phu Minh, Vietnam

This report provides a summary of research findings to participants of the Phu Minh case study, as part of an independent PhD research project undertaken by Giang Phi. The research critically analyses and evaluates the extent to which MFT is an effective vehicle for poverty alleviation in developing countries, and makes recommendations for the practical development of MFT.

## KEY FINDINGS

### **Positive outcomes:**

- Phu Minh MFT has positive economic, social and cultural impacts on local community and people living in poverty (especially women)
- Phu Minh MFT worked as a catalyst for development of local community-based tourism

### **Challenges:**

- A neglect of micro-saving and micro-insurance
- Insufficient tourism profit to expand positive MFT impacts,
- A lack of gender-sensitive strategies (e.g., gender awareness workshops) which support women living in poverty's strategic needs;
- The unmet needs of tourism capacity training such as English language and tourism business management skills for local community.
- The perception/communication gaps between MFT stakeholders

## Microfinance Tourism in Phu Minh

Microfinance tourism (MFT) emerged in 2008 as an innovative approach that pioneers the integration of microfinance and tourism for poverty alleviation purposes. Bloom Microventures (BM) is a registered UK NGO, founded in 2010 by a group of International Development graduates from the London School of Economics. Initially working in partnership with MACDI, (a Vietnamese MFI providing microfinance tours in mountainous region in Vietnam), BM became independent in 2012 and started to provide both tours and microfinance lending in Phu Minh commune. During this time, the leadership and management of BM were fully transferred to a local team. BM's mission is to 'use revenues from tourism to provide non-collateral, low-interest small loans and technical support to women in rural Vietnam to help them start their own businesses for sustainable income' (BM 2016c, p. 1).

Since its modest start in 2012, BM's operations in Phu Minh have expanded considerably, from servicing only one village in the beginning to covering all five villages (Dong Bai, Mom, Quoc, Bu Cham, Vat Lai) in the Phu Minh commune in 2014.

The steady accumulation of capital raised from both tourism and microfinance activities has enabled BM to provide regular affordable micro-credit schemes to local poor and near-poor households. BM also started to expand the lending scope beyond income-earning activities to include toilet construction projects that aim to improve local sanitary conditions. In collaboration with other experts in agriculture and tourism, BM has organised a vegetable planting workshop and tourism training workshops (e.g., cooking and reception) for local tourism service staff).

## The research process

In Phu Minh case study, 26 face-to-face interviews were carried out during the researcher's field trip to Phu Minh commune, Hoa Binh province, Vietnam between September and November 2014, followed by 5 Skype interviews conducted after the trip, from December 2014 to April 2015. Participant observations were also carried out during this fieldtrip.

### What is poverty in Phu Minh?

The results clearly demonstrate the diversity in Phu Minh stakeholders' viewpoints towards MFT as a vehicle for poverty alleviation, ranging from a lack of assets or income, being deprived of basic needs/capabilities, and/or experiencing unequal power relations in the local and global structures. In addition, poverty in Phu Minh is also partly rooted from the issue of alcohol abuse and domestic violence

A significant finding is the Phu Minh community's perception of being (relatively) poor and having lower living standards compared to other communities in Vietnam and overseas:

*'If you ask the rural people who the poor households are, they will never perceive poverty like us. The institutions or the researchers try to separate the poor and non-poor, but to them they are all poor.'*

### What are Phu Minh MFT goals?

- To alleviate poverty for local women
- To generate additional capital for local microfinance
- To foster tourists' involvement in poverty alleviation
- To foster community economic development

### What are the key outcomes?

- An increase of access to financial services and training/education among Phu Minh women living in poverty (especially the 'poorer poor'), along with the personal empowerment of these female microfinance clients.
- The development of tourists' new insights into poverty and microfinance after participating in microfinance tours.
- In terms of economic diversification, the majority of MFT clients not only had higher income but the income also came from more diversified sources of agricultural activities.
- In some cases, tourists' philanthropic actions (e.g., gifts and tuition fee support for the children) following the microfinance tours further contributed to improve female microfinance clients' lives.
- As a catalyst for Community-based tourism (CBT) development, MFT helped to raise awareness and interest of Phu Minh community in tourism, provided financial assistance and developed tourism capacity for the local community to successfully set up, manage and operate the first locally owned tourism enterprise (i.e., Uncle Ty's farmstay).

- The development of Phu Minh CBT may create further employment opportunities for women, as well as increasing of local community's social interactions with tourists who possess progressive values regarding women's roles and rights. Both of these could further support the goal of reducing local women poverty.

## What are the key challenges?

- **A neglect of micro-saving and micro-insurance;**

Having access to micro-saving and micro-insurance could assist people living in poverty to accumulate and build up assets over the long-term, as well as protect these assets in the face of risks or disasters. Micro-saving is seen as particularly important for female clients, who often have more difficulty than male clients in getting access to a safe place to keep their money. Similarly, women living in poverty often suffer higher health risks arising from pregnancy and childbirth and are more vulnerable to domestic violence, indicating a more significant role for micro-insurance in the women's empowerment process. Despite their importance, Childfund was identified by respondents as the only organisation that offered micro-saving services in Phu Minh. Micro-insurance was not provided by any organisation at the time this research took place.

- **Insufficient tourism profit to expand positive MFT impacts,**

Savings mobilisation (i.e., raising extra funds through encouraging microfinance clients to deposit money in their micro-saving accounts) and cross-subsidisation between different groups of microfinance clients (i.e., the 'richer poor' pay higher interest rates than the 'poorer poor') have increasingly been used by MFIs to attract more capital to expand microfinance outreach and depth. However, as of 2014, Phu Minh MFT has not yet applied any saving mobilisation schemes to increase capital generated through microfinance aspects of MFT.

Beyond people living in poverty, their major clientele were also average households, yet Phu Minh MFT still applied one standard interest rate across different groups of clients. In order to generate more capital for local microfinance, Phu Minh MFT could explore and integrate other financing approaches such as saving-mobilisation from microfinance clients and varying the interest rates between different groups of local borrowers.

- **A lack of gender-sensitive strategies which support women living in poverty's strategic needs;**

Even when women can make their own decisions, a lack of income-earning opportunities for women in the society has often limited their investment to a narrow range of traditional female activities with lower return and hence resulted in marginal impacts. The goal of poverty alleviation for women in Phu Minh therefore does

not only involve helping them to meet practical needs (e.g., basic needs, income), but also addresses their strategic needs, including reducing institutional gender discrimination and helping women to understand and claim their rights (especially in dealing with domestic violence).

- **The perception/communication gaps between MFT stakeholders**

A number of perception/communication gaps still exist between those from the Phu Minh MFT organisation and other stakeholder groups. For instance, most of the respondents were unaware of the Phu Minh MFT organisation's goal of educating tourists about global citizenship, as well as how this educational process takes place. Moreover, whilst most respondents from the Phu Minh MFT organisation perceived revenue from microfinance tours to be a sustainable source of funding for microfinance, other respondents were concerned that this revenue only generated a very small amount of additional capital for local microfinance.

In terms of the nature of host-guest encounter, some stakeholders wished to increase commercial aspects of tourism and attract more tangible/material support from tourists, which were in direct contrast to MFT staff's perceptions of MFT as being non-commercial and with limited give and take dynamic.

- **The unmet needs of tourism capacity training such as English language and tourism business management skills for local community.**

Importantly, Community-based tourism was considered more effective than MFT in economic diversification through the newly established tourism sector, yet local people still lack capacity to successfully operate CBT independently.

## Recommendations for Phu Minh microfinance tourism

<b>Microfinance aspects of Phu Minh MFT</b>	<ul style="list-style-type: none"> <li>• Communicate the availability and importance of mentoring and moral support to the microfinance clients and other MFT stakeholders</li> <li>• Expand education/training activities to equip microfinance clients with knowledge/skills to take part in non-agricultural activities</li> <li>• Expand the scope of microfinance beyond micro-credit to provide people living in poverty access to micro-saving and micro-insurance.</li> <li>• Integrate gender-sensitive activities to improve the clientss social-political positions in the community (e.g., education of gender issues, develop female social networks)</li> <li>• Integrate a range of financing options related to the microfinance aspects of MFT, for instance, offer diversified microfinance products to different groups of clients (e.g., the non-poor, near-poor and poor households).</li> </ul>
<b>Tourism aspects of Phu Minh MFT</b>	<ul style="list-style-type: none"> <li>• Communicate the MFT organisation's goal of educating tourists of global citizenship and show other MFT stakeholders how this educational process takes place.</li> <li>• Facilitate the opportunity among tourists, to undertake a high level of reflection and discussion focusing on the root causes of poverty and the relationship to one's actions/non-actions as part of the microfinance tour, as well as in pre-tour orientation.</li> <li>• Offer tourists broader forms of post-tour support such as online forum discussions and information on opportunities to engage in a wide range of poverty alleviation actions</li> </ul>
<b>MFT as catalyst for Phu Minh community-based tourism</b>	<ul style="list-style-type: none"> <li>• Expand tourism education and training to support the development of English language and business skills</li> <li>• Inform the Phu Minh community of both the potential positive and negative impacts of CBT.</li> <li>• Facilitate the development of a Phu Minh tourism plan/policy</li> </ul>



## General recommendations for microfinance tourism development

Overall, the recommendations for both global MFT (see [Global report](#)) and Phu Minh MFT indicate the need for a holistic grass-roots approach to MFT development, with an increased focus on extensive collaboration, effective communication, and an understanding of the need for putting the communities first.

**Extensive collaboration:** The alleviation of multiple facets of poverty requires comprehensive intervention and extensive resources that exceed the capacity of any single organisation. Beyond the need to expand collaboration among existing MFT organisations, this research points to the importance of establishing cross-sectoral partnerships (e.g., between public, private, civil society sectors, as well as between microfinance, tourism, agriculture etc sectors) to mobilise resources for expanding MFT's positive impacts. For instance, Phu Minh MFT organisation can leverage existing resources to better address local poverty by:

- establishing partnerships with the existing initiatives that offer micro-saving and micro-insurance to introduce and/or expand these services in Phu Minh area.
- establishing partnerships with other (I)NGOs and government organisations in the local area or elsewhere, especially those specialising in women advocacy and empowerment, to offer education/training and other gender-sensitive services that contribute to address gender inequality in Phu Minh.
- establishing partnerships with volunteer tourism organisations, as well as Vietnamese and overseas universities to run a series of English and/or business workshops in Phu Minh.

**Effective communication:** This research confirms the diversity of perspectives and viewpoints inherent in the poverty alleviation environment. Effective communication therefore is necessary to bring these diverse perspectives to the surface and to bridge the perception gaps that currently hinder the development and effectiveness of MFT as a vehicle for poverty alleviation. By building social capital and trust among those directly involved in MFT, as well as the broader MFT stakeholders, pathways for open dialogues and discussions can be established for each participant to become more aware of other perspectives and when and where possible, to reconcile and reach consensus on the development of MFT.

**Understanding and putting local communities first:** MFT, just like microfinance and tourism, is certainly not a silver bullet to poverty alleviation and should not be used as a blanket approach that imposes certain poverty alleviation goals and implementation pathways on the local communities. Moreover, the case of Phu Minh MFT show us that the local MFT stakeholders are capable of both critically evaluating the MFT program and offer solutions to some of the identified issues. It is thus important to ensure the diverse MFT stakeholders (including the vulnerable and marginalised groups) in each area where MFT operates can participate in, and are given sufficient power to direct the planning and implementation process of MFT to best reflect local conditions, needs and interests at any given time.

### About Phu Minh

Phu Minh is a hilly commune located in Ky Son district, Hoa Binh province, Vietnam, located approximately 70km from Hanoi, the capital. Classified as a remote rural area, Phu Minh is home to the Muong ethnic minority of around 2,500 people, with 90% of local residents being small-scale farmers. The locals grow two crops of rice per year and sometimes other vegetable crops for family consumption. Their main income for daily activities comes from cassava and/or canna crops with a growth cycle of 10 months. As of the end of 2013, in terms of off-farm activities, there were three small handmade broom-making workshops in the commune, providing around 130 part-time jobs for locals.

At the end of 2013, there were only 4.23% poor and 3.89% near-poor households (defined by the Vietnamese government's rural income/asset indicators) in Phu Minh. However, the general financial and living conditions of the whole commune are still low compared to the regional and national standards. One of the most significant challenges of Phu Minh is unsustainable poverty alleviation, as vulnerable groups frequently fall back into poverty.

Microfinance has been a major strategy for poverty alleviation in Phu Minh. By the end of 2013, the commune's total borrowed capital from VBSP for developmental and poverty alleviation activities (e.g., education, small business development, housing construction, clean water and sanitation) was 7.1 billion VND (US\$350.000). They also received extra microfinance services from Childfund and BM, which are currently operating in the area.

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